

READING COMMUNITY LIBRARY

AUDIT REPORT

JUNE 30, 2004

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <u>Reading Community Library</u>	County <u>Hillsdale</u>
Audit Date <u>6/30/04</u>	Opinion Date <u>5/25/05</u>	Date Accountant Report Submitted to State: <u>6/22/05</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <u>Bailey, Hodshire &amp; Company, PC</u>			
Street Address <u>479 E Chicago St</u>	City <u>Jonesville</u>	State <u>MI</u>	ZIP <u>49250</u>
Accountant Signature <u>Bailey, Hodshire &amp; Company, PC</u>		Date <u>6/21/05</u>	

## CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	3 - 5
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet - Statement of Net Assets .....	6
Statement of Governmental Revenue, Expenditures and Changes in Fund Balance - Statement of Activities .....	7
Notes to Financial Statements .....	8 - 13
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund .....	14

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## INDEPENDENT AUDITOR'S REPORT

To the Library Board  
Reading Community Library  
Reading, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Reading Community Library, Hillsdale County, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Reading Community Library as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Library's basic financial statements. The required supplementary information, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Library Board  
Reading Community Library  
Page 2

The management discussion and analysis included in table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Reading Community Library. We did not examine this data and, accordingly, do not express an opinion thereon.

As discussed in the Notes, the Library adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

*Bailey, Hodshire & Company, PC*  
Jonesville, Michigan  
May 25, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# **Reading Community Library**

## **Management's Discussion and Analysis Year Ended June 30, 2004**

### New Financial Reporting

Starting with fiscal year 2004, the Reading Community Library, (the "Library") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, and library users with a better understanding of how the Library's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Library. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Library's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Library's financial health.

The discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2004 from the point of view of the Library's administration. Please read it in conjunction with the Library's financial statements, which will immediately follow this section.

Comparative analysis will be provided in future years and it is not required in the first year of implementation of GASB Statement No. 34.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$450,751 (net assets) at the government-wide level.
- The Library's total net assets decreased by \$52,814, as a result of current year activity at the government wide level. This decrease is primarily due to depreciation expense charged to the current period.
- Total governmental fund balance increased by \$580 in the current year at the fund level.
- \$6,695 was spent on an automation project for the Library.

### Using this Annual Report

The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.

## Reading Community Library

### Management's Discussion and Analysis Year Ended June 30, 2004

- The government wide financial statement columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

#### CONDENSED FINANCIAL INFORMATION

The following table shows, in a condensed format, the net assets as of June 30, 2004 and the changes in the net assets during the current year. A comparative analysis of data will be presented in future years when the information is available.

Current Assets	\$ 43,832
Capital Assets, Net	<u>407,234</u>
Total Assets	<u>\$451,066</u>
	=====
Liabilities	<u>\$ 315</u>
	=====
Net Assets	
Invested in Capital Assets	\$407,234
Restricted	0
Unrestricted	<u>43,517</u>
Total Net Assets	<u>\$450,751</u>
	=====
Revenue	\$ 41,326
Expenses - Library Services	<u>(94,140)</u>
Change in Net Assets	<u>\$ (52,814)</u>
	=====

The Library's total net assets were \$450,751 at June 30, 2004. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$43,517 at the end of the fiscal year. The net assets invested in capital assets were \$407,234.

#### Governmental Activities

The Library's governmental revenues totaled \$ 41,326 with the greatest revenue source being penal fines. Penal fines make up approximately 46 percent of total governmental revenue. Municipal contributions are the second largest source of revenue and make up approximately 24 percent of total governmental revenue.



## **Reading Community Library**

### **Management's Discussion and Analysis Year Ended June 30, 2004**

The Library incurred expenses of \$94,140 during the year. The majority of governmental expense is associated with depreciation and the staffing of the Library, which provides all library services. Depreciation represents 57 percent of the Library's total expenses and Salaries represent 19 percent.

#### The Library's Funds

The Library's major fund consists solely of the General Fund. An analysis of the General Fund can be found in the first column on pages 6 and 7. The fund column provides detailed information about the most significant fund, not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities. The Library did not have any nonmajor funds for the fiscal year ended June 30, 2004.

The General Fund pays for all of the Library's governmental services. The most significant service provided during the fiscal year was library staffing, which incurred expenditures of approximately \$19,781 for the fiscal year.

#### Library Budgetary Highlights

Over the course of the year, the Library Board made necessary budget adjustments to fund unanticipated expenditures during the year. The most significant amendments occurred in automation. Budget amendments were made to cover the costs of automating the material circulation system through the VERSO system. The first year's starting costs are \$5,000, but the subsequent years' costs are only \$2,000. Other budget amendments were necessary because of unanticipated increases in costs.

#### Capital Assets

At the end of the fiscal year, the Library had \$407,234 invested in a range of capital assets, including buildings, land, and materials (net of depreciation). The Library added \$437 for a printer and scanner for the new automation project during the current year. The Library did not dispose of any capital assets during this fiscal year.

#### Factors bearing on the Library's future

The Library has a new Friends of the Library Group that will be working with the Library Board. The Library Board continues to operate within budget and provide needed services for the community. The Library offers summer and children's programs. The Library hopes to receive a USF Grant to be used for charter. Expenditures scheduled for next fiscal year would be the replacement of two computers. In future years, maintenance of the Library building will be necessary.

#### Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Secretary or Treasurer of the Reading Community Library Board of Directors.

## BASIC FINANCIAL STATEMENTS

READING COMMUNITY LIBRARY  
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS  
JUNE 30, 2004

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 32,994		\$ 32,994
Accounts Receivable	10,838		10,838
Fixed Assets, net	<u>0</u>	\$ 407,234	<u>407,234</u>
Total Assets	<u>\$ 43,832</u>	<u>\$ 407,234</u>	<u>\$ 451,066</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 315	\$ 0	\$ 315
Total Liabilities	<u>\$ 315</u>	<u>\$ 0</u>	<u>\$ 315</u>
<b>FUND BALANCE/NET ASSETS</b>			
Fund Balance - Unreserved/Undesignated	<u>\$ 43,517</u>	\$ (43,517)	
Total Fund Balance	<u>\$ 43,517</u>	<u>\$ (43,517)</u>	
Total Liabilities and Fund Balance	<u>\$ 43,832</u>		
<b>Net Assets</b>			
Invested in Capital Assets - Net of Related Debt		\$ 407,234	\$ 407,234
Restricted		0	0
Unrestricted		<u>43,517</u>	<u>43,517</u>
Total Net Assets		<u>\$ 450,751</u>	<u>\$ 450,751</u>
Total Liabilities and Net Assets			<u>\$ 451,066</u>

The accompanying notes are an integral part of this statement.

READING COMMUNITY LIBRARY  
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
JUNE 30, 2004

	General Fund Modified Accrual		Statement of
	<u>Basis</u>	<u>Adjustments</u>	<u>Net Assets</u>
REVENUE			
State Aid	\$ 2,539	\$	\$ 2,539
Penal Fines	19,096		19,096
Grant Income	864		864
Municipal Contributions	10,089		10,089
Interest on Investments	264		264
Gifts & Memorials	6,989		6,989
Library Fines and Fees	1,084		1,084
Other	<u>401</u>	<u>          </u>	<u>401</u>
Total Revenue	<u>\$ 41,326</u>	<u>\$</u>	<u>\$ 41,326</u>
EXPENDITURES			
Wages	\$ 18,236	\$	\$ 18,236
Payroll Taxes	1,545		1,545
Supplies and Maintenance	741		741
Periodicals	4,461		4,461
Professional and Contractual Services	2,603		2,603
Conference, Workshops and Travel	300		300
Insurance	912		912
Utilities	3,454		3,454
Administrative	182		182
Gifts	100		100
Technology	811		811
Automation	6,695		6,695
Summer Program	269		269
Capital Outlay	437	(437)	0
Depreciation	<u>0</u>	<u>53,831</u>	<u>53,831</u>
Total Expenditures	<u>\$ 40,746</u>	<u>\$ 53,394</u>	<u>\$ 94,140</u>
Excess of Revenue Over (Under)			
Expenditures/Change in Net Assets	\$ 580	\$ (53,394)	\$ (52,814)
Fund Balance/Net Assets - Beginning	<u>42,937</u>	<u>460,628</u>	<u>503,565</u>
Fund Balance/Net Assets - Ending	<u>\$ 43,517</u>	<u>\$ 407,234</u>	<u>\$ 450,751</u>

The accompanying notes are an integral part of this statement.

**READING COMMUNITY LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Reading Community Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

The Library has implemented the provision of the Statement in the current year; therefore, these and other changes are reflected in the accompanying financial statements and notes to the financial statements.

**Financial Reporting Entity**

The Reading Community Library is located in the City of Reading, Hillsdale County, Michigan, and is governed by a six member board. Three members are appointed by the City of Reading and three are appointed by Reading Township. The Library is connected with Woodlands Library Cooperative and in return for a portion of State Aid, books may be borrowed through an inter-loan system. The financial support is provided primarily through Hillsdale County penal fines with additional support from municipal contributions of the State of Michigan (State Aid), Reading City, and the Townships of Reading and Cambria, as well as charitable donations and memorials. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

READING COMMUNITY LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, the municipal contributions are susceptible to accrual. All other revenue items are considered to be available only when the cash is received by the Library.

**Financial Statement Presentation**

The Library reports the following major governmental fund: the General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

**Capital Assets** - Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Library maintains a capitalization threshold of \$200.

Building improvements, furniture and fixtures, equipment, and library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Buildings	39 years
Furniture and Fixtures	7 years
Library books, periodicals, etc.	10 years
Computer equipment	5 years

**Change in Accounting** - During the current year, the Library adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As a result, these financial statements include a full accrual accounting for all of the Library's activities. GASB Statement No. 34 also requires fixed assets to be recorded with related depreciation.

READING COMMUNITY LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets, Budgetary Accounting and Budget Basis of Accounting** - Budgets are adopted for all governmental fund types, as required by law. Budgets for the general fund are adopted at the line item level and reported in the budgetary comparison schedule at this level. The Library uses the same basis of accounting for budgeting purposes as for financial statement presentation.

**Encumbrance Accounting** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Reading Community Library.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Library Board at the line-item level. Any budgetary modifications may only be made by resolution of the Library Board. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budget as reflected in the financial statements:

- 1) Prior to June 30, a public hearing is conducted on the proposed budget to obtain taxpayer comments.
- 2) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 3) The Library Board is authorized to transfer budgeted amounts between line items.
- 4) During the year the budget is monitored, and amendments to are made when necessary.

During the year, the following accounts had expenditures in excess of budgeted amounts, which is a violation of State of Michigan budgeting laws:

<u>Description</u>	<u>Amount of Budget</u>	<u>Expenditure</u>	<u>Variance</u>
Salaries	\$ 17,200	\$ 18,236	\$ 1,036
Payroll Taxes	1,420	1,545	125
Professional and Contractual Services	2,420	2,603	183

**NOTE 3 - CASH AND INVESTMENTS**

Following are the components of the Library's bank deposits at June 30, 2004:

Commercial Accounts	\$ 2,074
Savings and Certificates of Deposit	<u>30,920</u>
Total	<u>\$ 32,994</u>

**READING COMMUNITY LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 3 - CASH AND INVESTMENTS (continued)**

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2004, the carrying amount of the Library's deposits was \$32,994 and the bank balance was \$34,361. The entire amount was covered by federal depository insurance.

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of June 30, 2004, the Library's deposits and investments are in accordance with statutory authority.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Land and Improvements	\$ 26,734	\$ 0	\$ 0	\$ 26,734
Building and Improvements	105,438	0	0	105,438
Books, Audios, Videos	333,936	0	0	333,936
Furniture and Fixtures	33,868	437	0	34,305
Total Capital Assets	\$ 499,976	\$ 437	\$ 0	\$ 500,413
Less: Accum. Depreciation	(39,348)	(53,831)	0	(93,179)
Net Capital Assets	<u>\$ 460,628</u>	<u>\$ (53,394)</u>	<u>\$ 0</u>	<u>\$ 407,234</u>

Depreciation expense for the fiscal year ended June 30, 2004 was \$53,831.

**NOTE 5 - UNEMPLOYMENT TAXES**

The Library is a reimbursing employer to the Michigan Employment Security Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of June 30, appropriate liabilities (if any) have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

**NOTE 6 - RISK MANAGEMENT**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance for claims relating to general liability, physical damage (equipment, buildings, and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverage's and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.



READING COMMUNITY LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 7 - CONCENTRATIONS**

The Library receives a major portion of its revenue from the County of Hillsdale in the form of allocated penal fines. Reduction or elimination of this funding, if this were to occur, would have a significant effect on the organization's programs and activities.

**NOTE 8 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. The difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following is a reconciliation of fund balance to net assets and net change in fund balances to the net change in net assets:

<b>Total Fund Balance - Modified Accrual Basis</b>	\$ 43,832
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources, and are not reported in the funds	<u>407,234</u>
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<b>Net Assets of General Fund - Full Accrual Basis</b>	\$ 451,066
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<b>Net Change in Fund Balances - Modified Accrual Basis</b>	\$ 580
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Amounts reported in the statement of net activities are different because:

Capital outlays is not an expense of the current period	437
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Capital costs are allocated over their estimated useful lives as depreciation	<u>(53,831)</u>
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<b>Change in Net Assets of General Fund - Full Accrual Basis</b>	\$ (52,814)
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**NOTE 9 - RESTATEMENTS**

As of and for the year ended June 30, 2004, the Library implemented the following Governmental Accounting Standards Board pronouncements:

Statements

No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*

No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*

No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

No. 38 - *Certain Financial Statement Disclosures*

Interpretations

No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

READING COMMUNITY LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 9 - RESTATEMENTS (continued)**

As a result of implementing these pronouncements for the year ended June 30, 2004, the following restatements were made to the beginning fund balance and net asset accounts:

Fund Balance of General Fund as of June 30, 2003	\$ 42,937
Add: capital assets, including land and buildings as of June 30, 2003	499,976
Deduct: accumulated depreciation as of June 30, 2003, on the above assets	<u>(39,348)</u>
General Fund net assets, restated, as of July 1, 2003	<u><u>\$ 503,565</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

READING COMMUNITY LIBRARY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
JUNE 30, 2004

	Original Budget	Amended Budget	Actual	Over (Under) Amended Budget
Beginning of Year Fund Balance	\$ 42,937	\$ 42,937	\$ 42,937	\$ 0
Resources (Inflows)				
State Aid	2,000	2,000	2,539	539
Penal Fines	18,000	18,000	19,096	1,096
Grant Income	500	914	864	(50)
Municipal Contributions	10,300	10,300	10,089	(211)
Interest on Investments	400	400	264	(136)
Gifts & Memorials	6,419	6,419	6,989	570
Library Fines and Fees	950	950	1,084	134
Other Miscellaneous	<u>0</u>	<u>0</u>	<u>401</u>	<u>401</u>
Amounts Available for Appropriation	\$ 81,506	\$ 81,920	\$ 84,263	\$ 2,343
Charges to Appropriations (Outflows)				
Wages	\$ 17,200	\$ 17,200	\$ 18,236	\$ 1,036
Payroll Taxes	1,400	1,420	1,545	125
Supplies and Maintenance	2,350	2,250	741	(1,509)
Library Books and Materials	4,800	4,764	4,461	(303)
Professional and Contractual Services	2,200	2,420	2,603	183
Conferences, Workshops and Travel	329	350	300	(50)
Insurance	850	915	912	(3)
Utilities	2,800	3,460	3,454	(6)
Administrative	220	220	182	(38)
Gifts	100	100	100	0
Technology	500	945	811	(134)
Automation	6,550	7,970	6,695	(1,275)
Summer Program	1,370	370	269	(101)
Capital Outlay	<u>500</u>	<u>500</u>	<u>437</u>	<u>(63)</u>
Total Charges to Appropriations	\$ 41,169	\$ 42,884	\$ 40,746	\$ (2,138)
Budgetary Fund Balances - June 30, 2004	<u>\$ 40,337</u>	<u>\$ 39,036</u>	<u>\$ 43,517</u>	<u>\$ 4,481</u>

The accompanying notes are an integral part of this statement.